EXECUTIVE SECRETARIAT

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Remarks:

Executive Secretary

1/20/82
Date

3637 (10-81)

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

DOI #471-82

January 19, 1982

TO: SECRETARY REGAN
SECRETARY WEINBERGER
DIRECTOR CARMEN
DIRECTOR CASEY
DIRECTOR GIUFFRIDA

FROM: DANNY BOGGS, EXECUTIVE SECRETARY
CABINET COUNCIL ON NATURAL RESOURCES AND ENVIRONMENT

RE: Strategic Minerals Policy Statement

Because of your Department's interest in and attendance at the Cabinet Council meetings concerning this issue, I am sending the attached document for your comments.

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

January 19, 1982

TO: CABINET COUNCIL ON NATURAL RESOURCES AND ENVIRONMENT

FROM: DANNY J. BOGGS, EXECUTIVE SECRETARY

RE: STRATEGIC MINERALS

Pursuant to policies approved at the Cabinet Council meeting of October 20, 1981, attached is our latest draft of the Presidential report under the National Materials and Minerals Policy, Research and Development Act of 1980.

Please let me have your comments as soon as possible, and no later than close of business Thursday, January 21.

DRAFT DJB 1/19/82

STRATEGIC MINERALS POLICY STATEMENT

Introduction

During the 1980 campaign, I expressed to the American people my deep concern regarding the increasing dependence of the United States and the free world upon foreign sources for strategic and critical minerals. I raised concerns regarding the state of the materials stockpile as well as government policies which have inhibited and hindered the ability of Americans to produce and supply these vital resources. I established a Strategic Minerals Task Force, which subsequently reported to me, suggesting administrative and legislative actions to address these important questions.

On March 13, 1981, I called for the expenditure of $100 million for the first major addition to the stockpile in over twenty years -- a purchase of cobalt, a material which was then at less than 50 percent of our stockpile goals. At that time I indicated that I would take further action regarding strategic minerals.

I hereby transmit to the Congress my recommendations and a report on the activities to be undertaken by this Administration to reduce America's materials vulnerability. These actions do not represent, nor should they be interpreted as, the total solution to America's minerals and materials problems. Rather they are a

first essential step in focusing the attention of the nation on those difficulties and the problems that they pose to our economy and our national security. These actions represent a serious concern and commitment, the first such Presidential commitment in nearly three decades.

On October 21, 1980, the National Materials and Minerals Policy, Research and Development Act of 1980 was signed into law. That Act mandated a report to the Congress regarding actions taken by the Administration to implement it. This report is presented in response to that mandate.

Statement of Policy

It is the policy of this Administration to decrease America's minerals vulnerability by taking positive action that will promote our national security, ensure a healthy and vigorous economy, create American jobs, and protect America's natural resources and environment.

Large amounts of federal land -- estimates vary from 40 percent to 68 percent -- are now closed to mineral exploration and development at a time when the nation has become increasingly dependent on foreign sources for many strategically important minerals.

Although these minerals are important to our civilization, our standard of living, and our defense, less than three-tenths of one percent of the nation has ever been disturbed by mining. Much of our public land is highly mineralized, but large amounts of that land now lie off limits to exploration and development.

Therefore, this Administration will inventory federal land to determine the mineral availability and potential of that land, while protecting the environment and preserving for future generations those natural resource areas set aside by law for special purposes. To preserve the original intent of the Wilderness Act that unexplored areas would remain open to determine mineral potential, the Administration will seek amendment to that Act to allow mineral exploration to proceed to operate in designated wilderness areas for an additional twenty years. Because large amounts of federal land have been withdrawn from mineral entry by obsolete and unnecessary Executive actions, this Administration will solicit from the public recommendations on public land to be made available for exploration and development, and will focus immediate attention on those areas. In addition, this Administration will accelerate the review of lands withdrawn from mineral exploration and revoke obsolete withdrawal orders, will continue a rapid withdrawal review program for Alaska lands, and will open to mining those lands withdrawn from operation of the General Mining Laws but which are open to operation of the leasing laws. To ensure that minerals location is considered by the Congress in future Congressional withdrawals of lands, the Executive agencies will, when appropriate, prepare and present to the Congress strategic and critical minerals impact analyses as a part of this Administration's comments on proposed future withdrawals.

We recognize the critical role that minerals and materials play in our highly industrial economy, and the unpredictability of international events affecting the reliability of minerals supply. This Administration will therefore continue to collect minerals data and use it in monitoring trends and events affecting supply and demand. We will consult with other nations to improve the exchange of minerals information, and will do the same between federal agencies and States, and between the public and private sectors.

The favorable tax incentives in the Economic Recovery and Tax Act stimulate private research and development to ensure the availability of the materials essential to the nation's economy and national defense. Any government-financed research and development activities will concentrate on long-term, high-risk, high potential payoff projects with the best chance for wide generic application to materials problems and increased productivity. Existing federal programs are being assessed to ensure conformity to this policy.

The Administration will continue its review and reform of excessively burdensome or unnecessary regulations and statutes which adversely affect the domestic minerals industry.

The security of America's foreign sources of materials can no longer be ignored. The United States imports more than half of our total supplies of twenty strategic materials. This Administration has undertaken the first stockpile purchase in twenty years. We endorse the policy that the stockpile should be sufficient to meet military, industrial, and essential civilian needs in support of the national defense in a crisis.

To achieve this goal, the Administration will sell the excess reserves of materials currently in the stockpile. We are seeking Congressional appropriations to acquire necessary stockpile materials. We will use exchanges and barter to acquire additional stockpile materials when in the best interest of the country.

We will direct a panel of experts to review the quality of materials in the stockpile and recommend such actions as may be necessary to ensure the quality of the stockpile. Finally, this Administration will rely primarily upon purchases on the open market to build the Nation's stockpile necessary for the national defense and national security.

Cabinet Council on Natural Resources and the Environment

Strategic and critical material issues concern many federal departments and agencies. During the course of the Cabinet review, approximately twenty governmental bodies were involved in various aspects of that issue. There is a clear need for coordinated and focused attention to ensure the full and complete implementation of a national materials policy and the capability of the United States to address and respond to materials problems.

The involvement of numerous federal agencies in the materials issue reflects both the breadth of the issue, not only in the government but in the economy, as well as the existence throughout government of statutorily assigned missions and responsibilities which relate to materials policy.

It is therefore the position of this Administration that national materials policy will be coordinated through the Cabinet Council on Natural Resources and the Environment. The use of the Cabinet Council ensures high level consideration of important materials policy issues on a timely basis with the capability of prompt action on such issues by the President. The Cabinet Council requires minimum administrative staff, relying for detailed materials upon the various agencies and departments which have ultimate statutory responsibility for implementation.

LAND AVAILABILITY

Background

Federal lands, totaling some 734 million acres, represent a vast, largely undeveloped storehouse of resources that are important to the nation's welfare. Among the most significant of these resources are minerals, particularly those of strategic importance to economic and national defense goals. Increasing amounts of federal land have been closed to mineral exploration and development while dependence on foreign sources has grown and the security of supply from some areas has been questioned.

The use of federal lands has been restricted for a variety of reasons by various mechanisms over a number of years. The majority of such restrictions have been imposed by Congressional action or formal Executive withdrawals, but there are also segregations of federal land arising from administrative actions that amount to "de facto" withdrawals.

In 1980, the Bureau of Land Management promulgated surface management regulations which prevent undue degradation of public lands by mining activities. These regulations, authorized by the Federal Land Policy and Management Act (FLPMA), (similar regulations for national forests were promulgated by the U.S. Forest Service in 1974) make many of these past "protective" withdrawals unnecessary.

Until passage of FLPMA, authorities and administrative responsibility for Executive withdrawals were not clear, and among the consequences were a welter of overlapping withdrawals, lack of

any central record of withdrawn lands, and an accumulation of obsolete or otherwise unnecessary withdrawals. FLPMA required a review of certain withdrawals, to be completed by 1991, revoking those that are not "... consistent with the statutory objectives of the programs." All types of withdrawals for other agencies, and withdrawals from mining and mineral leasing for national forests and land administered by the Bureau of Land Management, are to be reviewed.

New mineral deposits will not be found unless the private sector looks for them. It is to the nation's advantage to encourage this search. Government has a responsibility as owner of most of our better mineral lands to minimize unnecessary restrictions that limit that search. Economic use of our natural resources allows decisions to be based on full information of all values that are involved. Preservation of wilderness areas, for example, is an important goal that must be balanced against others, such as the national security.

Issues and Actions

1. Under the terms of the Wilderness Act of 1964, significant federal acreage (about 13 percent of all withdrawn lands) will become permanently inaccessible for mineral exploration and development, subject to valid existing rights, on January 1, 1984. While wilderness land is now open to the leasing laws, leasing has not been permitted under the discretionary authority provided. In the 1964 Act, Congress clearly intended to permit exploration of wilderness areas in the time provided. However, because of past bureaucratic resistance and the uncertainty of obtaining

permission to develop, exploration has not occurred, even though minable deposits are known to exist in some areas and there are significant chances for discovery in others. We will never know where all of our mineral deposits occur, but if the law encourages the continued search, industry can take the risks to explore these areas.

The Administration will therefore seek to amend the Wilderness Act to allow the general mining laws and mineral leasing laws to apply for twenty additional years.

2. An unknown amount of federal land is removed from entry by obsolete or otherwise unnecessary withdrawals. The Federal Land Policy and Management Act allows fifteen years to review previous withdrawals. Additionally, an estimated 5.6 million acres of federal land are closed to mineral exploration by federal applications for withdrawal which pre-date the Federal Land Policy and Management Act. The law allows these segregations to remain in effect until 1991, while new applications can segregate lands for only two years.

Millions of acres of federal lands (from 10 to 60 million acres) are open to leasing but closed to operations under the Mining Law, suggesting that controlled mineral activity may not be inconsistent with the purpose of the withdrawals. When review is conducted, it may fail to focus on the highest priority lands, that is, those most likely to have important mineral deposits. Additionally, administrative processing of revocations is inefficient, and there is a general lack of current, accurate information on federal land status.

The Administration will issue an invitation to the public to nominate areas of high mineral interest and use those nominations to identify "Areas of Critical Mineral Potential" as an overlay of existing land use designation in selected areas for priority withdrawal review.

The Administration will take other steps to stimulate land availability:

-- There will be an acceleration of withdrawal reviews now scheduled to be completed by the end of FY 91.

-- All federal agencies will perfect pre-Federal Land Policy and Management Act withdrawal applications as soon as possible; segregation of those lands will then end, absent a withdrawal order.

-- We will open to operation of the General Mining Laws those lands now withdrawn by Executive or Secretarial Order, but which are open to operation of the leasing laws; Congressional and military withdrawals would not be affected.

-- All federal agencies will inform promptly, and consult with, the Interior Secretary prior to any new withdrawal.

The Administration will issue "blanket" revocations for certain categories of withdrawals citing public land orders that withdrew such lands, thus saving administrative work-years and Federal Register publication costs while revoking an estimated 400 separate outdated withdrawals.

The Administration, in commenting on future land withdrawals, will, where appropriate, prepare and submit to Congress strategic and critical minerals impact statements to ensure informed

Congressional decisionmaking. Additionally, in the annual report required by the Mining and Minerals Policy Act of 1970, the Administration will provide to the Congress a strategic and critical minerals estimate of the amount of federal land which is administratively withdrawn from operation of the General Mining Laws, and ask Congress to consider carefully the potential impact on America's mineral needs of designating more lands for withdrawn status.

3. There has been a series of reports in recent years deploring the lack of current, accurate information regarding federal land status and, more particularly, the availability of that land for mineral exploration. While special surveys, such as those conducted by the Office of Technology Assessment, Bennethum and Lee, and the Department of the Interior, provide some understanding of land availability and thereby some policy guidance for land use decisions in both the Executive and Legislative Branches, that information quickly becomes outdated. Thus, if the specifics of land availability are to provide the background for land use decisions, there exists a need for a system revealing the degree of availability.

The Administration will examine the state and quality of federal land use data and the systems available for improving the inventorying and cataloging of the status of federal land.

MATERIALS RESEARCH AND DEVELOPMENT

Introduction

Mineral resources, the basis of materials supply, are vital to defense and to a healthy economy. The entire materials cycle is a fundamental component of economic production and technological innovation. Technological innovation has always played a major role in meeting the problems of materials supply.

It is generally agreed that the United States is, to a growing degree, exhibiting a lowered rate of productivity growth, and that an increased pace of technological innovation is needed. In many cases America's ability to compete with other nations in the world marketplace has been reduced and has also contributed to inflation as productivity has lagged behind wages. This is particularly the case for the domestic minerals industry, which is no longer as advanced in mineral processing technology as many of America's foreign competitors.

Government's Role

Since business enterprise is the primary implementor of technological change, the driving force behind technological innovation through research and development is the expectation of a satisfactory return on invested capital. If there are circumstances, either real or perceived, which increase cost, increase the time to commercialization, increase risk or otherwise reduce the return on investment, innovation will be discouraged. Thus the first and perhaps most important requirement for materials research and development is the existence of a favorable

business and political climate which encourages both the initiation of the innovative process (financing research and development activities) and the undertaking of steps leading to commercialization (applied research and development).

A critical element of materials research and development activities, and an area of traditional government support, is the basic research necessary to the development of a scientific data base. This requires close coordination between agency programs addressing supply problems and those addressing materials manufacture and performance.

In addition, government intervention in, and assistance of, technological development is appropriate only where market forces are incapable of achieving clearly defined national objectives. Thus government's attention regarding research and development activity should focus on long-term, high-risk potentially high payoff technology that has the best chance for wide generic application.

To fulfill this role, the Administration will:

1) create a business and political climate which will encourage private sector research and development;
2) stimulate constructive coordination between industry and government in the area of technological innovation; and,
3) focus and direct government financed research and development activities on long-term, high-risk technology with the best chance for wide generic application to materials problems.

Regulatory Reform

As part of its effort to eliminate excessive and unnecessary regulations, the Administration will initiate an inquiry into federal regulatory policies that discourage private materials research and development activities.

Government Research and Development

In order to eliminate waste, duplication and unnecessary federal expenditures, and to focus more effectively the United States Government's materials research and development activities, the Administration will only undertake long-term, high-risk materials research having broad generic application, and will direct each agency to reexamine and plan its research and development accordingly.

Government-Industry Coordination

The Administration will, through the Office of Science and Technology Policy in concert with each department and agency with a significant materials research and development program, direct senior officials to maintain or create effective mechanisms for constructive coordination of mineral and materials research and development.

International Research and Development

The Administration will formally establish contacts with the European Communities for exchange of information on materials research and development activities.

Intergovernmental Coordination

The Administration reaffirms the Committee on Materials (COMAT), under the direction of the Federal Coordinating Council on Science, Engineering, and Technology (FCCSET) for the coordination of federal materials and minerals research and development activities, directing:

(1) Assistant Secretary-level representation from the departments and agencies concerned with minerals and materials;

(2) Placement within COMAT of the Department of Defense Material Availability Steering Committee and the Interagency Materials Group;

(3) Establishment of a Working Panel within COMAT to coordinate federal research and development on essential materials;

(4) Establishment of a formal mechanism within COMAT for information exchange between agency materials research and development program managers; and,

(5) Materials research and development questions requiring policy resolution be resolved through the Cabinet Council on Natural Resources and the Environment.

MINERALS AND MATERIALS DATA COLLECTION

Introduction

Increasing U.S. reliance upon foreign sources for minerals, especially those vital to a modern defense system; the unpredictability of events that could affect the reliability of mineral supplies; and the expanding role of governments in determining the flow of minerals in international trade require that policy makers have access to adequate information and analytical systems. While a number of federal agencies have long acquired, maintained and analyzed such data, the coverage, quality, and reliability of foreign data, and the inadequate coordination of domestic data have limited its usefulness.

The importance of mineral information has been consistently identified by every major mineral policy study commissioned by the Federal Government in the last 30 years. These studies and others have also urged better analytical capability to improve the integration of mineral concerns into the policy process.

Worldwide, it is generally agreed that the statistical reporting of minerals information by the U.S. Government is unsurpassed. Nonetheless, the complexities of other national goals which may conflict with future domestic productive capacity require improvements in data collection and analytic support. Similarly, the complexities of problems that can affect the flow of minerals in international trade, an essential element of U.S. supply, require a better understanding of the data and the impacts of policy options.

Mineral information and analysis can provide guidance on policies affecting land use, tax and tariff, trade, investment, research and development, environmental protection, and other aspects of domestic and foreign policies.

Foreign Minerals Data and Analysis

The Administration will use government minerals specialists on centrally planned economy countries to ensure the adequacy, reliability, and availability of foreign mineral data.

The Administration will strengthen the Regional Resource Officer (RRO) program. The Department of the Interior will establish a formal minerals training program for all State Department personnel assigned to RRO positions, with emphasis on mining and minerals processing, marketing arrangements, and minerals policies.

The Administration will initiate discussions for a cooperative effort to improve policy-oriented mineral reporting by market economy countries, to exchange information on mineral investment problems, to improve consistency of statistical reporting, and to consult on issues relating to selected strategic minerals.

Domestic Minerals Data and Analysis

The role of the Federal Government in collecting and interpreting minerals data is recognized. While there has been some debate on whether too much or not enough data is being reported, industry has consistently urged full reporting of quantitative supply/demand data. As owner of one-third of the nation's lands, as purchaser and seller of raw materials for

stockpile programs, and as law-maker affecting trade, tax, investment and environmental policies, the government has a major impact on all levels of exploration and development as well as on the overall health of the mining industry.

The Administration will seek increased and improved cooperation from the private sector in responding to minerals and materials data requests.

The fragmentation of minerals/material data among many agencies of the Federal Government may inhibit location, access, and exchange of data necessary for analysis and decision making. The Administration will examine the United States Government's minerals and materials data system, ensuring the full participation of all affected departments and agencies. The review will:

1) Identify possible data gaps, duplications, inconsistencies, and redundancies;
2) Ascertain the adequacy of minerals and materials analysis;
3) Explore the benefits and costs of a National Minerals Information Center within the Federal Government as a central repository for material and mineral reports and information;
4) Develop a means of providing adequate protection for proprietary and classified data; and,
5) Develop a mechanism for regular briefings regarding minerals problems to the Cabinet Council on National Resources and the Environment.

STRATEGIC AND CRITICAL MATERIALS STOCKPILE

OVERVIEW

Introduction

The United States must implement mineral policy programs to ensure that America's capacity to field and sustain fighting forces in the event of war or national emergency is not curtailed by a shortage of critical raw materials. To ensure that capability, this Administration is initiating a major inter-departmental effort to improve the nation's preparedness for national mobilization.

This review will address potential shortages of strategic and critical materials. This comprehensive approach will lead to the most efficient use of national resources in the event of a national crisis, including protracted conflicts, and will be coordinated at the highest levels of the Administration to ensure the vigorous pursuit of all essential elements to restore a strong and lasting foundation for national security. This comprehensive approach to revitalizing our nation's mobilization capability represents the most concerted high-level effort in the past twenty-five years. Preparedness in the area of minerals availability is an important part of this effort.

National Defense and Critical Materials

To fulfill our basic national security objectives, the U.S. must be prepared to marshal the military and industrial resources to sustain an adequate war-fighting capability. An integral part

of this effort is an enhanced industrial mobilization capability to sustain and resupply our military forces through protracted conflict. We must assure the responsiveness and staying power of the industrial base.

A crucial aspect of any industrial mobilization capability is a secure, reliable, and sufficient supply of critical raw and processed materials. The United States and its allies are heavily reliant on imports of certain critical raw and processed materials. Thus, without adequate stockpiles, a long-term supply interruption could have serious consequences for U.S. and allied security by disrupting capabilities to produce military and essential civilian goods either in a declared national emergency or wartime mobilization.

Statutory Authority

As a result of the national defense and security requirement for a secure and reliable supply of critical raw materials, the Congress has provided the President with comprehensive legislative authorities to meet these defense and national security needs, including the Strategic and Critical Materials Stock Piling Act (SPA) of 1939, as amended, and the Defense Production Act (DPA) of 1950, as amended. The SPA authorizes the National Defense Stockpile of strategic and critical materials. Title I of the DPA authorizes the use of priorities in fulfilling contracts for goods and services, and controlled allocation of critical materials, when necessary to meet the needs of national defense. Title III of the DPA authorizes the use of a variety of incentives to expand production capacity and supply to meet national defense needs.

DEFENSE PRODUCTION ACT

The priorities and allocations program which implements the authorities of Title I of the Defense Production Act is a key tool for mobilizing industrial resources in support of current military programs or expanded defense requirements in an emergency period. It can be used to schedule production to assure timely delivery today and is capable of adapting to future materials shortages or cut-offs. Historically, the system has been tested by shortages of such materials as cobalt, copper, nickel, steel, and titanium, resulting from strikes, war, natural disasters, international politics, and economic conditions.

Key Elements of the Defense Materials System and Defense Priorities System (DMS/DPS)

The DMS/DPS serves a dual purpose: it provides the means for exercising the priority and allocation authorities of the President for the purpose of promoting the national defense or maximizing domestic energy supplies; and, it provides a system which can be promptly expanded to direct the industrial sector of the economy to meet the exigencies of any emergency. The DMS/DPS is a flexible system which can be promptly adapted to special problems, particularly with respect to critical materials. Set-asides, specified minimum order quantities, and specified order lead times are effective tools to assure the equitable distribution of rated orders among all producers and suppliers, and assure timely delivery to defense programs. This assurance allows more effective handling of commercial business by providing

producers with information as to the limits of their rated obligations. Other instruments, such as advance rating authorizations and special priorities assistance, also can be effective in assuring timely delivery of materials in tight supply.

Action

The Administration is committed to increased effectiveness of this system through better understanding by government and industry of the principles and advantages of the system. The Department of Defense will continue to improve its educational program extending through the major commands to the procurement staff and to the contract administration. The Department of Commerce (Office of Industrial Mobilization), in cooperation with Defense, will coordinate with industry, and has already held 37 DMS/DPS training sessions in the last six months.

The Administration will improve the priorities and allocations system by simplifying the regulations. Toward this end, the Department of Commerce, in June 1981, published a proposed Defense Priorities and Allocations System (DPAS) Regulation in the Federal Register, which consolidates and simplifies the DMS/DPS.

THE NATIONAL DEFENSE STOCKPILE

Introduction

The Strategic and Critical Material Stockpiling Act states the stockpile is "... to decrease and preclude, when possible, a dangerous and costly dependence by the United States upon foreign

sources for supplies of (strategic and critical) materials in times of national emergency." The Act further provides that the stockpile "... should be sufficient to sustain the United States for a period of not less than 3 years in the event of a national emergency ..." and "... is to serve the interest of national defense only and is not to be used for economic or budgetary purposes."

Stockpile goals are established by matching the requirements of military, essential civilian and basic industrial sectors in support of national defense for a three-year national emergency to an assumed level of secure supply of critical materials. The resultant shortfall determines the stockpile goal as of any given year. Figure 1 illustrates the current stockpile inventory as compared with 1980 goals. It is apparent that restructuring of the stockpile inventory is necessary because many of the materials in the stockpile are either in deficit of their goal or in excess of their goal, and some are possibly technically deficient since they were acquired as long ago as the 1950s.

To fill the 1980 goals at March 1981 prices would require purchase of additional materials valued at approximately $12.5 billion. The stockpile inventory currently contains $7.64 billion of needed materials. Excess materials are valued at approximately $4.92 billion, for a total stockpile value of $12.56 billion.

As shown in Figure 2, the 61 family groups and individual materials in the stockpile can be divided into two categories:

(1) 24 groups and individual materials with inventory equal to or greater than the goals. (39%)

(2) 37 groups and individual materials with inventory less than the goal. Of these, the goals for 24 are less than 50% filled. (61%)

Planning

Each year, an Annual Materials Plan (AMP) is established representing a major effort by several agencies under the direction of the Federal Emergency Management Agency to develop a list of materials for stockpile acquisition or disposal. National security requirements are balanced against market constraints.

Recent Action

On March 13, 1981, President Reagan ordered the first major stockpile acquisition in twenty years. In FY 81, the Congress provided $100 million for acquisition, and the President requested an additional $106 million for FY 82. At Appendix A is a detailed listing of the current status of the stockpile, material-by-material, including the estimated current market cost for filling the stockpile to 1980 goals, and potential receipts from selling excess commodities.

The Administration will streamline the AMP planning process by providing for:

(1) five-year planning guidance to form the basis for GSA site selection, personnel, and other stockpile management activities; and,

(2) a fiscal year plan that matches annual budget ceilings, market conditions, immediate strategic requirements, and GSA purchase activities. In addition, GSA will chair a study group to determine whether there are inventory management deficiencies that can be corrected by measures such as rotation of stock and upgrading of storage sites.

Further Action

1. Stockpile Policy

The Administration continues to endorse the nation's stockpile policy. The key elements of the policy are:

* That the stockpile should be sufficient to meet the military, industrial, and essential civilian needs for the first three years of a war. (Required by statute).
* That the war scenario is a "1-1/2 + 1/2 war" consistent with the scenario in the official Mobilization Planning Study endorsed by Presidential Directive dated March 3, 1980.
* That goals reflect detailed assumptions regarding changes in a wartime civil economy, wartime foreign trade patterns, shipping losses, wartime political and economic stability of foreign nations, and alternate foreign and domestic production levels for stockpile materials. (Assumptions were derived by a major interagency effort and endorsed by President Ford on August 6, 1976, and reaffirmed by Presidential letter dated October 10, 1977).

Pace of Acquisitions

Whatever level of funding is chosen through the appropriations process, the decision should ensure long range planning to facilitate storage site selection, site preparation, acquisition, and personnel strategies. It should be noted as well that stockpile purchases and disposals are less costly if made over a period of years.

The Administration will expeditiously dispose of those stockpiled materials held in excess of goals and acquire additional materials through the appropriations process. Additional materials will be acquired in keeping with budgetary constraints and other national priorities.

This program demonstrates a serious commitment by this Administration to enhance significantly the national security.

Two additional mechanisms, exchange and barter, are authorized for acquiring material for the stockpile. The Administration will seek cases where these are more efficient mechanisms than open market transactions.

Status of Stockpile Inventory - Quality and Form

In the past, questions have been raised about the quality of the stockpiled materials. In addition, the form in which material is held may not be ideal for current industrial use. Recently steps were initiated to address the adequacy of the quality and the appropriate mix of alternative forms of existing materials. In addition, the GSA is developing a sampling plan to assess the usability of stockpiled cobalt during an emergency.

Since the material in the stockpile is old, a careful review of the quality and form of stockpiled materials is in order. Therefore, this Administration will establish a panel to review the extent of material deficiencies and to recommend remedial action, if needed.

Stockpile Alternatives

The stockpile is designed to meet the needs of a three-year national emergency. Consequently, each annual ton of new domestic production reduces stockpile requirements by three tons for as long as production continues.

The U.S. has a wide variety of mineral and material resources. There is significant U.S. production of such materials as aluminum, beryllium, copper, iodine, mercury, molybdenum, titanium, and zinc. The U.S. also has potentially significant but undeveloped resources of non-bauxitic aluminum, cobalt, guayule (natural rubber), platinum, nickel, and titanium bearing materials. For a variety of reasons, the private sector has not found it profitable to invest in domestic production of certain critical materials. Several disincentives to investment will be significantly reduced by many of this Administration's initiatives regarding economic recovery, unnecessary regulations, streamlining procurement practices, and federal land availability.

Title III of the Defense Production Act authorizes federal loans at below market rates of interest, loan guarantees, price supports, and guaranteed purchase levels. While this authority was used successfully during the 1950s, it has not been used recently except for the appropriation of $3 billion in FY 1980 for the development of a synfuels capability.

This Administration will rely primarly on the strategic stockpile as the primary means of providing for national defense objectives. However, analysis is now ongoing to determine whether circumstances exist under which the use of Defense Production Act incentives would be more cost-effective than stockpile purchases.

International Minerals Policy Coordination

Most industrial free market countries are more heavily dependent upon imported minerals than the United States (the two principal exceptions are Canada and Australia), but the United States is the only industrial nation with a significant stockpile of minerals and other critical materials for national defense. Other nations have investigated economic or strategic stockpiling of certain materials, but few programs have been carried out. Therefore, this Administration will initiate and conduct periodic and ad hoc consultation and coordination of the strategic and security policy aspects of non-fuel minerals and associated processing capabilities among industrial nations which are consumers of key materials.